

Abacus Mining & Exploration Corporation

(an exploration stage company)

Condensed Interim Consolidated Financial Statements

September 30, 2017

(Unaudited)

(Expressed in Canadian dollars)

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NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of Abacus Mining & Exploration Corporation.

Abacus Mining & Exploration Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)**Condensed interim consolidated statements of financial position**

Unaudited-Expressed in Canadian dollars

	NOTE	September 30, 2017	December 31, 2016
ASSETS		(\$)	(\$)
Current assets:			
Cash and cash equivalents	4	955,658	1,006,957
Amounts receivable		13,580	9,968
Prepaid expenses		18,166	15,066
		<u>987,404</u>	<u>1,031,991</u>
Non-current assets:			
Equipment		-	14,220
Restricted cash	8	25,928	25,948
Investment in KGHM Ajax Mining Inc.	6	22,590,021	22,040,341
Exploration and evaluation assets	7	67,364	-
		<u>22,683,313</u>	<u>22,080,509</u>
		<u>23,670,717</u>	<u>23,112,500</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		135,640	76,513
Long-term liabilities:			
Loan payable to KGHM	6	13,670,316	12,258,118
		<u>13,805,956</u>	<u>12,334,631</u>
Shareholders' equity:			
Capital stock	9	84,981,564	84,408,367
Reserve - stock options		5,322,091	5,019,749
Reserve - warrants		477,553	-
Deficit		(80,916,447)	(78,650,244)
		<u>9,864,761</u>	<u>10,777,869</u>
		<u>23,670,717</u>	<u>23,112,500</u>

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Approved on behalf of the Board by:

"Michael McInnis"
Director, Executive Chairman

"Kerry Spong"
Director

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim consolidated statements of comprehensive loss

Unaudited-Expressed in Canadian dollars

		Three months ended September 30 2017	Three months ended September 30 2016	Nine months ended September 30 2017	Nine months ended September 30 2016
	Note	(\$)	(\$)	(\$)	(\$)
General and administrative expenses:					
Accounting and audit		20,335	9,500	55,210	40,030
Amortization		-	1,278	1,857	3,833
Consulting and directors' fees		23,850	37,781	100,690	85,781
Exploration and evaluation expenditures	7	186,397	-	350,844	-
Insurance		6,800	5,111	20,190	15,332
Interest expense	6	318,703	243,018	932,198	688,299
Investor relations		14,300	2,740	52,460	15,490
Legal		55,672	9,463	118,611	25,928
Office		22,356	1,080	42,221	9,054
Rent		19,240	6,086	44,269	16,229
Salaries and contract wages		55,109	83,590	162,654	190,344
Share-based payments	9	6,208	6,278	302,345	84,078
Transfer agent and regulatory fees		2,579	10,396	29,356	25,824
Travel and promotion		42,528	14,045	118,803	24,747
		<u>(774,077)</u>	<u>(430,366)</u>	<u>(2,331,708)</u>	<u>(1,224,969)</u>
Other items:					
Write off of loan receivable	5	-	(290,000)	-	(290,000)
Write off of equipment		(10,862)	-	(10,862)	-
Interest income		3,262	2,481	6,687	21,415
Income (loss) on equity investment in KGHM Ajax Mining Inc.		(26,234)	(68,148)	69,680	(326,425)
Foreign exchange gain	7	-	8	-	-
		<u>(807,911)</u>	<u>(786,033)</u>	<u>(2,266,203)</u>	<u>(1,819,979)</u>
Net loss and comprehensive loss for the period					
Loss per share, basic and diluted		(0.02)	(0.00)	(0.06)	(0.01)
Weighted average number of common shares outstanding	#	39,159,602 ⁽¹⁾	#	214,157,611	#
		<u>37,641,154 ⁽¹⁾</u>	<u>214,157,611</u>	<u>37,641,154 ⁽¹⁾</u>	<u>214,157,611</u>

(1) After taking into effect the consolidation of the common shares in the capital of the Company, as to one post-consolidation share for every six pre-consolidation shares, which post-consolidated shares commenced trading on the TSX Venture Exchange ("TSX-V") on May 1, 2017.

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim consolidated statements of changes in shareholders' equity

Unaudited-Expressed in Canadian dollars

	Share capital		Reserves			Total shareholders' equity
	Number of shares	Capital stock	Stock options	Warrants	Deficit	
	(#)	(\$)	(\$)		(\$)	
Balance December 31, 2015	214,157,611	84,408,367	4,931,912	-	(48,575,976)	40,764,303
Share-based payments	-	-	84,078	-	-	84,078
Loss and comprehensive loss for the period	-	-	-	-	(1,819,979)	(1,819,979)
Balance, September 30, 2016	214,157,611	84,408,367	5,015,990	-	(50,395,955)	39,028,402
Share-based payments	-	-	3,756	-	-	3,756
Loss and comprehensive loss for the period	-	-	-	-	(28,254,289)	(28,254,289)
Balance, December 31, 2016	214,157,611	84,408,367	5,019,746	-	(78,650,244)	10,777,869
Securities issued for cash	20,400,000	535,319	-	484,681	-	1,020,000
Issued for Willow property option	250,000	18,750	-	-	-	18,750
Share-based payments	-	-	302,345	-	-	302,345
Loss and comprehensive loss for the period	-	-	-	-	(2,266,203)	(2,266,203)
Adjustment for consolidation May 1, 2017 (6:1)	(195,673,002)	-	-	-	-	-
Exercise of warrants	25,000	19,128	-	(7,128)	-	12,000
Balance, September 30, 2017	39,159,609	84,981,564	5,322,091	477,553	(80,916,447)	9,864,761

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)**Condensed interim consolidated statements of cash flows**

Unaudited-Expressed in Canadian dollars

	September 30 2017	September 30 2016
	(\$)	(\$)
Operating activities:		
Net loss for the period	(2,266,203)	(1,819,979)
Items not involving cash:		
Share of loss (income) in equity investment	(69,680)	326,425
Share-based payments	302,345	84,078
Amortization	1,857	3,833
Interest expense	932,198	688,299
Loan receivable written off	-	290,000
Equipment written off	10,862	-
Changes in working capital related to operating activities:		
Prepaid expenses	(3,100)	(419)
Amounts receivable (net)	(2,112)	1,128
Accounts payable and accrued liabilities	59,127	12,692
Loan receivable	-	(10,000)
Cash used for operating activities	(1,034,705)	(423,943)
Investing activities:		
Exploration and evaluation assets	(48,614)	-
Restricted cash	20	21,343
Cash contributions to equity investment	-	(24,522)
Cash (used for) provided by investing activities	(48,594)	(3,179)
Financing activities:		
Proceeds from warrants exercised	12,000	-
Proceeds from private placement	1,020,000	-
Cash provided by financing activities	1,032,000	-
Increase (decrease) in cash and cash equivalents during the period	(51,299)	(427,122)
Cash and cash equivalents, beginning of the period	1,006,957	1,626,237
Cash and cash equivalents, end of period	955,658	1,199,115
Supplemental cash flows		
Supplemental disclosures		
Interest on cash and cash equivalents	5,187	8,236
Interest on restricted cash	20	3,179
Shares issued for exploration and evaluation assets	18,750	-
Loan advances from KGHM	480,000	-
Fair value of exercised warrants	7,128	-

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2017

Unaudited-Expressed in Canadian dollars

1. NATURE OF OPERATIONS

Abacus Mining & Exploration Corporation (the “Company” or “Abacus”), incorporated under the *Company Act* (British Columbia), is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties in Canada and the U.S.A. The address of the Company’s office is Suite 1000, 1050 West Pender Street, Vancouver, British Columbia, Canada, V6E 3S7.

On June 28, 2010, KGHM Ajax Mining Inc. (“KGHM Ajax”) was incorporated. KGHM Ajax is currently focused on the exploration and development of the Ajax copper-gold project located near Kamloops, British Columbia (the “Ajax Project”).

On June 29, 2010, pursuant to an investment agreement dated May 4, 2010 between Abacus and KGHM Polska Miedz S.A. (“KGHM”), Abacus transferred all of its mineral interests in the Ajax Project, with a fair value of \$37,429,581 (US\$35,549,020), to KGHM Ajax in exchange for 4,900 common shares of KGHM Ajax.

On October 12, 2010, Abacus, KGHM and KGHM Ajax entered into the Definitive Joint Venture Shareholders’ Agreement (the “Joint Venture Agreement”). Pursuant to the Joint Venture Agreement, KGHM subscribed for 5,100 common shares of KGHM Ajax, which represented a 51% interest for \$37,392,200 (US\$37,000,000); these funds were used by KGHM Ajax to fund exploration and evaluation activities during 2010 and 2011 required to produce the bankable feasibility study (“BFS”). Additionally, KGHM had the option to acquire an additional 29% interest in KGHM Ajax (for a total interest of 80%) for a maximum of US\$35,000,000.

On April 2, 2012, KGHM exercised its option to acquire an additional 29% of KGHM Ajax, thereby increasing its ownership in KGHM Ajax to 80% (Notes 6 and 8). The Joint Venture Agreement includes provisions allowing Abacus to fund its share of cash calls from the Ajax project through to production using loans from KGHM. Such loans will be repaid from Abacus’s share of future revenues from the joint venture.

On May 1, 2017 the Company incorporated Abacus Mining & Exploration (NV) Corporation, a wholly-owned integrated Nevada, US subsidiary to hold its interest in the Willow property (Note 7).

These condensed interim consolidated financial statements have been prepared under the assumption that the Company is a going concern. The Company currently does not generate any revenue. The Company is dependent on raising additional funds through the issue of equity, debt, disposition of assets, or some combination thereof, to continue the advancement of the Ajax project. Existing working capital is expected to be sufficient to cover non-discretionary operating expenditures for the next twelve months.

2. BASIS OF PREPARATION and SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

(a) Basis of preparation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial instruments at fair value, if any held, that have been measured at fair value. These condensed interim consolidated financial statements are presented in Canadian dollars, except where otherwise noted.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Abacus Mining & Exploration (NV) Corporation, a US company. All intercompany accounts and transactions have been eliminated.

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2017

Unaudited-Expressed in Canadian dollars

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Interim financial statements do not include all the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2016. These condensed interim consolidated financial statements of Abacus were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on November 24, 2017.

(b) Significant accounting judgments, estimates, and assumptions

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements, and the reported amounts of expenses during the reporting period.

While management believes that these judgments and estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive income and cash flows. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Other than the adoption of new accounting policies as described below, the same accounting policies have been used in the preparation of these condensed interim consolidated financial statements as those used in the most recent audited annual financial statements and reflect all the adjustments necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

Mineral interests

Effective October 1, 2016, the Company voluntarily changed its accounting policy in respect of Exploration and Evaluation (“E&E”) expenditures to recognize these costs in the statement of loss in the period incurred, as permitted under IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Previously, these expenditures were capitalized as E&E assets on the Company’s balance sheet. The Company changed its accounting policy as it believes that the new policy is more consistent with the IFRS framework with respect to the characterization of an asset. The Company also believes that showing E&E expenditures separately on the statement of comprehensive loss and in the operating activities section of the statement of cash flows more accurately reflects the Company’s activities during the periods presented. The change in accounting policy has been applied retrospectively. No change in accounting policy was made with regard to costs of acquiring mineral property licenses or rights which are disclosed as E&E assets. Upon applying this change in accounting policy, the Company determined there were no changes to the Company’s financial position as at December 31, 2016, December 31, 2015, December 31, 2014 and January 1, 2014, and to the comprehensive loss, shareholders’ equity and cash flows and for the years ended December 31, 2015 and 2014.

E&E acquisition costs: All direct costs related to the acquisition of mineral property interests (“E&E Assets”) are capitalized into intangible assets on a property by property basis. Expenditures made in

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the condensed interim consolidated financial statements

For the nine months ended September 30, 2017

Unaudited-Expressed in Canadian dollars

connection with a right to acquire a property and or explore in an exploration area for a period in excess of one year, are capitalized.

E&E exploration expenditures: Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

New accounting standards

The Company has adopted the following new standards, along with any consequential amendments, prior to or effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions, and did not impact the Company's condensed interim consolidated financial statements.

- IAS 7, "Statement of Cash Flows" (amended standard): is effective for annual periods beginning on or after January 1, 2017,
- IAS 12, "Income Taxes" (amended standard): is effective for annual periods beginning on or after January 1, 2017.

Accounting Standards Issued but not yet in Effect

- IFRS 2, "Share-based payment" (amended standard) is effective for annual periods beginning on or after January 1, 2018.
- IFRS 9, "Financial Instruments: Classification and Measurement": is effective for annual periods beginning on or after January 1, 2018.
- IFRS 15, "Revenue from Contracts and Customers": the effective date of adoption has been deferred to January 1, 2018 (with earlier application permitted).
- IFRS 16, "Leases": is effective for annual periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of these new and amended standards on its financial statements. The impact is not expected to have a material impact on the statements of financial position or results of operations of the Company.

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents consist of the following:

	September 30, 2017	December 31, 2016
Cash and cash equivalents		
	(\$)	(\$)
Bank accounts	155,658	81,957
Savings account	800,000	925,000
	<u>955,658</u>	<u>1,006,957</u>

5. LOAN RECEIVABLE

On June 27, 2014, Abacus and Burnstone Ventures Inc. ("Burnstone") entered into a loan and security agreement (the "Loan") pursuant to which Abacus advanced \$250,000 to Burnstone, to be used in relation to Burnstone's Tomichi Project located in Colorado. The Loan, bearing interest of 8% per annum, was due to mature on December 31, 2015, and was secured by a first priority security interest over Burnstone's option to acquire a 100% interest in the Tomichi Project. On January 12, 2016, the maturity

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)**Notes to the condensed interim consolidated financial statements**

For the nine months ended September 30, 2017

Unaudited-Expressed in Canadian dollars

date of the loan was extended to July 31, 2016. Subsequent to July 31, 2016 the Company was advised that Burnstone had been unable to maintain its agreement on the Tomichi Project in good standing, and was also unable to satisfy its indebtedness to the Company; consequently, the Company wrote off principal of \$250,000 and accrued interest of \$40,000.

6. INVESTMENT IN KGHM AJAX MINING INC.

As at September 30, 2017, the Company owns 20% of the common and voting shares of KGHM Ajax (2016: 20%). KGHM Ajax is a private company incorporated under the Corporations Act (British Columbia) and is currently engaged principally in the exploration and development of the Ajax Project located near Kamloops, British Columbia. KGHM Ajax's two shareholders are KGHM and the Company. As the Company owns 20% of the outstanding common shares of KGHM Ajax and also has representation on the Board of Directors, the Company is considered to have significant influence over KGHM Ajax, and accordingly accounts for its investment in KGHM Ajax using the equity method. Under the equity method, the investment in KGHM Ajax is initially recognized at cost then subsequently adjusted for the Company's share of the profits and/or losses of KGHM Ajax as well as distributions received from KGHM Ajax. To date no dividends or distributions to shareholders of KGHM Ajax have occurred.

During the period ended September 30, 2017, Abacus contributed \$480,000 (2016: \$2,600,000) to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement, in order to continue operations of KGHM Ajax. Pursuant to the terms of the Joint Venture Agreement, Abacus could elect to contribute its proportionate share of the operational expenditures or, without any dilution to its 20% ownership of KGHM Ajax, request that KGHM provide the funding as a loan, to be recovered from Abacus' share of revenue upon commencement of production at Ajax. The Company elected during the second quarter of fiscal 2015 that KGHM provide the funding as a loan (the "KGHM Loan"). The KGHM Loan is to be recovered from Abacus' share of revenue upon commencement of production at Ajax, and bears interest of 10% per annum. For the period ended September 30, 2017, \$480,000 (fiscal 2016: \$2,575,478) was provided by KGHM and \$Nil (fiscal 2016: \$24,522) from interest earned on collateral funds held by KGHM. The Company has accrued interest of \$932,198 for the period January 1 to September 30, 2017 (January 1 to September 30, 2016: \$718,973). The loan payable to KGHM is secured by the investment in KGHM Ajax.

	Cash Call	KGHM Loan	Restricted Cash	Total	Interest Accrued on KGHM Loan
Total for the year ended December 31, 2015		\$ 7,651,000	\$ 3,449,000	\$ 11,100,000	\$ 289,250
March 31, 2016		1,515,506	24,522	1,540,028	221,997
June 30, 2016		459,972	-	459,972	237,382
September 30, 2016		600,000	-	600,000	259,594
December 31, 2016		740,000	-	740,000	283,417
Total for the year ended December 31, 2016		3,315,478	24,522	3,340,000	1,002,390
March 31, 2017		-	-	-	299,118
June 30, 2017		480,000	-	480,000	314,377
September 30, 2017		-	-	-	318,703
Total for the nine months ended September 30, 2017		\$ 11,446,478	\$ 3,473,522	\$ 14,920,000	\$ 2,223,838

KGHM Loan Payable	September 30, 2017	December 31, 2016
Loan	11,446,478	10,966,478
Interest	2,223,838	1,291,640
	\$ 13,670,316	\$ 12,258,118

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)**Notes to the condensed interim consolidated financial statements**

For the nine months ended September 30, 2017

Unaudited-Expressed in Canadian dollars

The following is a summary of the Company's investment in KGHM Ajax:

Investment in KGHM Ajax	
Investment in KGHM Ajax as of December 31, 2015	\$ 46,759,876
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	2,600,000
Abacus' share of the profit/loss of KGHM Ajax during the period ended September 30, 2016	(326,425)
Investment in KGHM Ajax as of September 30, 2016	\$ 49,033,451
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	740,000
Abacus' share of the profit/loss of KGHM Ajax during the period ended December 31, 2016	(27,733,110)
Investment in KGHM Ajax as of December 31, 2016	\$ 22,040,341
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	480,000
Abacus' share of the profit/loss of KGHM Ajax during the period ended September 30, 2017	69,680
Investment in KGHM Ajax as of September 30, 2017	\$ 22,590,021

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the period ended September 30, 2017 is as follows:

Selected financial information of KGHM Ajax	September 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 3,015,052	\$ 5,169,134
Current assets (excluding cash & cash equivalents)	789,937	934,357
Total non-current assets	<u>110,760,197</u>	<u>108,806,038</u>
Total assets	\$ 114,565,186	\$ 114,909,529
Current liabilities	\$ 1,275,351	\$ 2,172,496
Non-current liabilities	305,390	2,500,990
Total shareholders' equity	<u>112,984,445</u>	<u>110,236,043</u>
Total liabilities and equity	\$ 114,565,186	\$ 114,909,529
	Nine months ended September 30 2017	Nine months ended September 30 2016
Net and comprehensive (loss) income	\$ 348,402	\$ (1,632,126)
Revenue	\$ nil	\$ nil
Interest Income	20,741	21,584
Amortization	48,313	57,766
Interest expense	21,304	27,511
Income tax recovery	nil	nil

Impairment of non-current assets in KGHM Ajax

During the year ended December 31, 2016 KGHM Ajax reviewed the carrying value of its mining and other assets due to the identification of indications of an impairment, resulting in a reduction of the carrying value of mining and other assets to their recoverable amounts.

The recoverable amount was determined based on fair value less costs to sell by discounting estimated future cash flows using post tax discount rate of 8.0%. The future cash flows were estimated using future copper prices based on internal macroeconomic assumptions which were prepared based on available multi-year forecasts of financial and analytical institutions. A detailed forecast was prepared for the period 2017 – 2021, while the forecast for subsequent years was estimated, based on a long-term copper price, at the level of 3.0 U.S. dollars per pound.

7. EXPLORATION AND EVALUATION ASSETS

The Company has investigated ownership of its mineral interests as at September 30, 2017, and to the best of the Company's knowledge, ownership of its interests is in good standing.

	Balance December 31, 2016	Acquisition Costs	Balance September 30, 2017
Tomichi	-	2,790	2,790
Willow	-	64,574	64,574
	-	67,364	67,364

The following table shows the activity by category of exploration expenditures for the nine months ended September 30, 2017:

	Nine months ended September 30, 2017
Exploration and Evaluation Expenditures	(\$)
Consulting and project supervision	115,969
Surveying	124,131
Planning	100,280
Other	10,465
Total	350,844

Willow Property:

On February 14, 2017, the Company entered into an option agreement ("Option Agreement") with Almadex Minerals Limited and its wholly-owned Nevada subsidiary Almadex America Inc. (collectively, "Almadex"), to acquire, subject to regulatory approval (received February 22, 2017), the exclusive right and option to earn, in the aggregate, up to a 75% undivided ownership interest in the Willow Property (the "Willow Property"). To acquire the initial 60% Option Interest in the Willow Property, the Company is required to issue common shares and incur exploration expenditures as follows:

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)**Notes to the condensed interim consolidated financial statements**

For the nine months ended September 30, 2017

Unaudited-Expressed in Canadian dollars

Date	Common shares in the capital of Abacus (the "Shares")⁽²⁾ (#)	Minimum Annual Exploration Expenditures on the Exploration Program ("Expenditures") (US\$)
TSX-V approval (received February 22, 2017)	41,667 ⁽¹⁾	Nil
On or before the February 22, 2018	41,667	100,000
On or before the February 22, 2019	41,667	300,000
On or before the February 22, 2020	41,667	600,000
On or before the February 22, 2021	83,333	800,000
On or before the February 22, 2022	<u>166,666</u>	<u>1,200,000</u>
Total	416,667	3,000,000

(1) Issued on March 16, 2017; valued at \$18,750.

(2) After taking into effect the consolidation of the common shares in the capital of the Company, as to one post-consolidation share for every six pre-consolidation shares, which post-consolidated shares commenced trading on the TSX-V on May 1, 2017.

Upon having earned the 60% Option Interest in the Willow Property and until the 10th anniversary date of the date of regulatory approval, the Company will be required to incur minimum exploration expenditures on an exploration program on the Property of US\$500,000 per year. The Company will act as the Willow Property's operator during the initial five-year term and following the earning of the 60% Option Interest, until such time as a joint venture is established, as described below.

In order to earn the 15% Additional Interest, such that the Company would have an aggregate interest of 75% in the Willow Property, the Company will be required to deliver a Feasibility Study on the Willow Property to Almadex on or before the 10th anniversary date of the date of regulatory approval. Upon having earned the Additional Interest, the Company will continue to act as the Willow Property's operator until such time as a 75:25 joint venture is established for the further management, exploration and development of the Willow Property.

Tomichi Property:

During the nine months ended September 30, 2017, the Company acquired, by staking, claims comprising the Tomichi Property, in Nevada.

8. RESTRICTED CASH

The Company has restricted cash of \$25,928 to guarantee credit card balances.

9. SHAREHOLDERS' EQUITY**(a) Authorized capital stock**

At September 30, 2017, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

(b) Share issuances

On February 15, 2017, the Company announced a non-brokered private placement ("Offering") for proceeds of up to \$1,000,000 through the issuance of 20,000,000 units ("Units") at a price of \$0.05 per Unit. Each Unit consists of one common share of the Company (a "Unit Share") and one-half of a non-transferable common share purchase warrant, with each full warrant exercisable to purchase one additional common share of the Company at a price of \$0.08 per common share for a period of 3 years

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)**Notes to the condensed interim consolidated financial statements**

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from the date of closing of the Offering. On March 8, 2017, the Company closed the Offering, pursuant to which it received gross proceeds of \$1,020,000, issued 20,400,000 common shares in the capital of the Company, and warrants allowing for the purchase of up to, in the aggregate, 10,200,000 common shares in the capital of the Company at \$0.08 per share until March 8, 2020.

During March 2017, pursuant to the Option Agreement, the Company issued 250,000 pre-consolidation common shares, which shares were valued at \$18,750.

On June 26, 2017, the Company issued 25,000 shares on the exercise of warrants, for gross proceeds of \$12,000.

(c) Share consolidation

At the Special General Meeting held on April 25, 2017, the Company received shareholder approval to consolidate its issued and outstanding common shares on the basis of one post-consolidation common share for every six pre-consolidation common shares. Regulatory approval having been received, the common shares of the Company commenced trading on the TSX-V on a post-consolidated basis on May 1, 2017. There was no change to the Company's trading symbol on the TSX-V.

(d) Stock options

The Company has a "20% fixed" stock option plan (the "Plan") pursuant to which stock options may be granted to its directors, officers, employees and consultants, to a maximum of 20% of the Company's issued shares as at the date of shareholder approval of the Plan, such that at June 30, 2017 stock options may be granted allowing for the purchase of up to, in the aggregate, a maximum of 4,084,855 post-consolidation shares. The exercise price of any option granted shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange (the "Exchange"). The expiry date for each option, set by the Board of Directors at the time of issue, shall not be more than five years after the grant date. Options granted vest at the discretion of the Board of Directors and in accordance with regulatory requirements. The Plan further provides that at any such time the Exchange rules differ from specific terms of the Plan, then the rules of the Exchange shall apply.

As at September 30, 2017, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 2,936,654 common shares (September 30, 2016: 12,840,000 pre-consolidation common shares) exercisable as follows:

September 30, 2017		Awards Outstanding		Awards Exercisable
Exercise Price	Expiry Date	Quantity	Remaining Contractual Life	Quantity
\$0.72	October 8, 2018	366,665	1.27	366,665
\$0.30	February 20, 2020	253,330	2.39	253,330
\$0.39	November 16, 2020	166,666	3.13	166,666
\$0.36	December 28, 2020	937,496	3.24	937,496
\$0.36	April 19, 2021	250,000	3.80	250,000
\$0.42	February 21, 2022	962,497	4.39	937,500
		2,936,654	3.29	2,911,657

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The weighted average remaining contractual life of the stock options outstanding as at September 30, 2017 is 3.29 years (2016: 3.48 years).

A summary of the status of the Company's stock options as at September 30, 2017 and December 31, 2016, and changes during the nine month and twelve month periods then ended is as follows:

Status of stock options	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2015	11,340,000	\$0.09
Granted	1,500,000	\$0.06
Outstanding, September 30, 2016	12,840,000	\$0.08
Outstanding, December 31, 2016	12,840,000	\$0.08
Granted	5,775,000	\$0.07
Expired	(995,000)	\$0.235
Adjustment for consolidation May 1, 2017 (6:1)	(14,683,346)	-
Outstanding, September 30, 2017	2,936,654	\$0.48

Share-based payments reserve is included in shareholders' equity and consists of the estimated fair value of stock options.

On January 26, 2017, stock options allowing for the purchase of up to, in the aggregate, 995,000 pre-consolidation shares in the capital of the Company expired.

On February 21, 2017, the Company granted options allowing for the purchase of up to, in the aggregate, 5,775,000 pre-consolidation shares at \$0.07 per share (962,500 post-consolidated shares at \$0.48 per share) until February 21, 2022, to employees, directors and officers of Abacus. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.17%, expected life of five years, expected volatility of 103.49% and dividend yield of 0%. The total amount of share-based payments expense is calculated at \$307,067, of which \$299,205 was recognized during the period ended September 30, 2017.

Pursuant to the vesting of options granted in prior years, the Company recognized \$3,140 in share-based payments during the period ended September 30, 2017.

10. WARRANTS

During the period ended September 30, 2017, the Company, in connection with the March 8, 2017 Offering, issued 10,200,000 warrants, with each warrant entitling the holder to purchase one common share at a price of \$0.08 until on March 8, 2020. The warrants were valued at \$484,681 using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.5%, expected life of 3 years, expected volatility of 118.95% and dividend yield of 0%.

A summary of the status of the warrants as at September 30, 2017 follows:

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	Number of Warrants	Weighted Exercise Price	Expiry Date
Outstanding and Exercisable December 31, 2016	-		
Issued	10,200,000	\$0.08	March 8, 2020
Adjustment for consolidation May 1, 2017 (6:1)	(8,500,000)		
Exercised	(25,000)	\$0.48	
Outstanding and Exercisable September 30, 2017	1,675,000	\$0.48	

11. CONTINGENCIES**STK'EMLUPSEMC TE SECWEPEMC Nation (SSN) Legal Claim**

KGHM has been named as a defendant along with the Crown (both Canada and British Columbia) in a legal claim filed in BC Supreme Court on September 21, 2015 by the SSN, wherein the SSN asserts aboriginal rights and title over the land where it is intended that KGHM Ajax Mining Inc. conduct mining activities. A significant portion of the land identified in the claim is private fee simple land. The outcome of this claim is uncertain and the exposure is not quantifiable at this time. Furthermore, there is no legal precedent for a claim of this specific nature (asserting title to private fee simple land). The SSN filed an amended claim on October 18, 2016 and replies to the KGHM, British Columbia, and Canada responses to the original claim. British Columbia filed its response to the SSN's amended claim on November 18, 2016. Canada has not filed a response. KGHM is in the process of filing its response to SSN's amended claim.

SSN Panel Review

The SSN has conducted its own panel review of the Ajax project separate from the provincial and federal environmental review processes. On March 4, 2017, the SSN announced that the it was unable to support the Ajax mine. KGHM's management is assessing the impact, if any, that this result may have on the development of the Ajax mine; however, the base assumptions for the project currently remain unchanged.

12. RELATED PARTY TRANSACTIONS

All advances to and amounts due from related parties are incurred in the normal course of business, have repayment terms similar to the Company's other trade receivables (payables), and do not incur interest. The following are the related party transactions occurring during the period:

(a) Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. The remuneration, including share-based payments, of key management personnel during the period ended September 30, 2017 and 2016 follow:

Management's and director's compensation	September 30,	September 30,
	2017	2016
	(\$)	(\$)
Accounting	31,750	26,375
Consulting and contract wages	116,813	114,875
Share based payments	291,226	80,424
Directors' fees	67,500	61,875
	<u>507,289</u>	<u>283,549</u>

During the period ended September 30, 2017, the Company was charged \$5,800 in respect of rent, from a company with directors in common.

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13. FINANCIAL RISK MANAGEMENT

The Company has classified its cash and cash equivalents, restricted cash and contractual obligations as FVTPL; amounts receivable and loan receivable, as loans and receivables; and accounts payable, accrued liabilities and loan from KGHM, as other financial liabilities. The carrying values of cash and cash equivalents, amounts receivable, restricted cash, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

The Company manages credit risk, in respect of its cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and cash equivalents (Note 4) and restricted cash (Note 8), as all amounts are held through a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

Concentration of credit risk and maximum exposure	September 30, 2017	December 31, 2016
Bank accounts	\$ 155,658	\$ 81,957
Savings account	800,000	925,000
Restricted cash	25,928	25,948
	<u>\$ 981,586</u>	<u>\$ 1,032,905</u>

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting obligations associated with financial liabilities. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated financing and investing activities. Accounts payable and accrued liabilities of \$135,640 (December 31, 2016: \$76,513) are due in the fourth quarter of 2017. At September 30, 2017, the Company had cash and cash equivalents, and accounts receivable of \$955,658 and \$13,580, respectively, which is sufficient to satisfy the expected requirements for the fourth quarter of 2017.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not susceptible to interest rate risk since the KGHM loan is fixed at 10%.

(ii) Foreign currency risk

The Company operates primarily in Canadian dollars, but holds minimal foreign currency, and thus is exposed to foreign currency risk.

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(iii) *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not currently exposed to other price risk.